

The global race to develop a central bank digital currency:

Considerations for the securities industry

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“The speed of innovation in payments and money-related technologies requires the prioritisation of collaborative experimentation,” the BIS pointed out in a recent [press release](#) announcing its first central bank digital currency (CBDC) report written by seven central banks and the BIS setting out their key requirements. It was only ten days later, Reuters [reported](#) that China had concluded its largest pilot project to date for a central bank-backed digital yuan. As competition heats up between countries in the global race to develop a CBDC, how, in turn, can the ecosystem around investable assets prepare?

The progress with regards to jurisdictions moving forward with CBDCs needs to be evaluated in terms of impact on alignment with cash and other types of money upon their launch. In terms of the securities industry in particular, however, a number of questions still need to be examined including:

- How should cross rates be determined?
- Should CBDCs be incorporated as an underlying referential instrument for traditional financial assets in the same manner as other digital assets such as Bitcoin?
- Could an asset be denominated in a tokenised currency or, rather, would the asset participate in or reference a CBDC in some way?
- Could a CBDC facilitate and make settlement practices more secure, in the same way as it accomplishes for payments?

The evolution of digital currencies is a fascinating one to be sure. For its part, ANNA will continue to ensure the standards under its responsibility remain fit for purpose as the ‘collaborative experimentation’ continues.

To see the work that ANNA is doing today on tokenisation, click [here](#). For further information on how ANNA's ISIN guidelines are evolving to ensure coverage of digital assets, click [here](#).